

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY PRAGUE

C O N F I D E N T I A L STATE 139165

E.O. 11652: GDS

TAGS: EEWT, CZ

SUBJECT: CLAIMS/GOLD, TRADE ACT TITLE IV

ADDITIONAL THOUGHTS ON THE ZANTOVSKY-ROOT CONVERSATION:

1. ZANTOVSKY TOLD ROOT THAT IT WOULD BE A PITY IF THE
STATE DEPARTMENT ADOPTED SENATOR LONG'S POSITION
BECAUSE CZECHOSLOVAKIA MUST NEGOTIATE WITH THE STATE
DEPARTMENT AND NOT WITH THE CONGRESS. LATER IN THE
CONVERSATION, ZANTOVSKY SOMEWHAT INCONSISTENTLY SAID IT
WOULD BE DESIRABLE FOR CZECHOSLOVAKIA TO START A DIALOGUE
WITH CONGRESSIONAL LEADERS.

2. AS ROOT RECALLS, ZANTOVSKY DID NOT ATTRIBUTE THE IDEA
OF AN ADDITIONAL 15 MILLION DOLS. TO SENATOR LONG, BUT
RATHER TO RUMORS WHICH HE HAD PICKED UP FROM SEVERAL UN-
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NAMED SOURCES WHICH HE REGARDED AS RELIABLE. THIS MIGHT
HAVE BEEN HIS WAY OF TELLING US CZECHOSLOVAKIA COULD NOT
AGREE TO SETTLE CLAIMS ON THE BASIS OF 50 PER CENT.

3. WHEN ROOT OBSERVED THAT THE U.S. WOULD NOT BE ABLE
TO SETTLE ON THE BASIS OF THE 1974 DRAFT AND THAT BOTH
SIDES WOULD HAVE TO EXERCISE INGENUITY TO FIND A SOLUTION,

ZANTOVSKY SAID THE PROBLEM WAS NOT ONLY SECTION 408 (CLAIMS/GOLD) BUT ALSO SECTION 402 (JACKSON-VANIK).

4. COMMENT: THIS MAY POSSIBLY BE SIGNIFICANT BECAUSE ZANTOVSKY DID NOT MENTION THE JACKSON-VANIK ISSUE TO THE CONGRESSIONAL STAFFERS HE HAD SEEN TWO DAYS BEFORE. HE WAS PERHAPS EXTENDING A FEELER TO SEE IF CZECHOSLOVAKIA MIGHT BENEFIT FROM THE STEVENSON AMENDMENT ON EXIM, IN WHICH CASE IT MIGHT BE EASIER FOR THEM TO MAKE A CONCESSION ON CLAIMS/GOLD. (FOR EMBASSY INFORMATION: IT SEEMS HIGHLY UNLIKELY THAT CZECHOSLOVAKIA WOULD QUALIFY FOR EXIM CREDITS UNDER PROPOSED STEVENSON AMENDMENT, EVEN IF ENACTED.)

5. ZANTOVSKY MAY ALSO HAVE HAD IN MIND SECTION 408'S APPARENTLY LINKAGE OF A CLAIMS SETTLEMENT TO A TRADE AGREEMENT, FOR WHICH CZECHOSLOVAKIA WOULD NOT NOW BE ELIGIBLE BECAUSE OF SECTION 402. IN DEPARTMENT'S OPINION, ALTHOUGH SECTION 408 REQUIRES THAT A RENEGOTIATED CLAIMS SETTLEMENT BE SUBMITTED TO CONGRESS "AS PART OF" ANY TRADE AGREEMENT ENTERED INTO WITH CZECHOSLOVAKIA, CONGRESS WOULD NOT REJECT AN OTHERWISE ACCEPTABLE CLAIMS SETTLEMENT SIMPLY BECAUSE IT WAS NOT ACCOMPANIED BY A TRADE AGREEMENT. RATHER, IT SEEMS CLEAR FROM THE PURPOSE OF SECTION 408 AND ITS LEGISLATIVE HISTORY THAT A CLAIMS AGREEMENT WITH CZECHOSLOVAKIA COULD BE BROUGHT INTO FORCE WITH CONGRESSIONAL APPROVAL PRIOR TO AND SEPARATE

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FROM A TITLE IV TRADE AGREEMENT. OUR INTERPRETATION OF SECTION 408 APPEARS TO BE SHARED BY KEY CONGRESSIONAL STAFFERS. IF EMBASSY BELIEVES THAT CZECHS MAY BE UNDER IMPRESSION THAT THERE IS A LEGAL IMPEDIMENT TO ENTERING INTO A CLAIMS SETTLEMENT UNTIL SECTION 402 FREE EMIGRATION REQUIREMENTS ARE MET, YOU ARE AUTHORIZED AT YOUR DISCRETION TO INFORM THEM OF DEPARTMENT'S VIEW AS STATED ABOVE. VANCE

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